

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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FOR USDEL MTN GENEVA

E.O. 11652: N/A

TAGS: ETRD

SUBJECT: MULTILATERAL TRADE NEGOTIATIONS (MTN)

-- COUNTRY PROFILES, PART ONE OF

FOUR PARTS

REF: STATE 181868

1. DEPT REQUESTED PER REFTEL THAT ADDRESSEE POSTS
PREPARE FOUR DRAFT SECTIONS FOR INSERT INTO THE
RESPECTIVE MTN COUNTRY BRIEFING BOOKS. THE PAPERS
WERE IDENTIFIED AS ITEMS TWO AND THREE AND ANNEXES
A AND B. HERewith FOLLOW OUR PROPOSED DRAFT FOR
ITEM TWO, "ECONOMIC AND POLITICAL BASIS FOR PAKISTAN'S
MTN APPROACH":

"A. PAKISTAN IS A POOR COUNTRY, CLASSIFIED AS ONE
OF THE MOST SEVERELY AFFECTED (MSA) NATIONS. ITS
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PER CAPITA INCOME IS A LOW \$145 PER ANNUM. ALTHOUGH

IT HAS THE POTENTIAL FOR STEADY, PERCEPTIBLE ECONOMIC GROWTH, PAKISTAN HAS EXPERIENCED LITTLE GROWTH IN REAL GNP OVER THE LAST HALF DECADE BECAUSE OF POLITICAL UPHEAVAL, WAR AND TWO YEARS OF NATURAL CALAMITIES. POPULATION GROWTH, AT A HIGH THREE PERCENT RATE, HAS BEEN ERODING MUCH OF SUCH GNP GROWTH AS HAS OCCURRED. IN FACT, POPULATION GROWTH EXCEEDED GNP GROWTH IN FY 1975. IN THESE CIRCUMSTANCES DEPENDENCE ON FOREIGN AID HAS GROWN."

"B. THE IMPORTANCE OF FOREIGN TRADE TO THE PAKISTAN ECONOMY CAN BE APPRECIATED BY THE 32 PERCENT RATIO OF FOREIGN TRADE TO GNP. AS WITH MOST DEVELOPING COUNTRIES, IMPORTS NORMALLY EXCEED EXPORTS, WITH THE SUBSTANTIAL TRADE GAP LARGELY FINANCED BY FOREIGN AID. THE COMPOSITION OF PAKISTAN'S EXPORTS IS ALSO TYPICAL OF DEVELOPING COUNTRIES: A DEPENDENCE ON A HANDFUL OF UNPROCESSED COMMODITIES (NOTABLY COTTON AND RICE) AND SEMIMANUFACTURED ITEMS (COTTON YARN). COTTON AND COTTON PRODUCTS HAVE USUALLY ACCOUNTED FOR ONE HALF OF THE COUNTRY'S EXPORT EARNINGS; HENCE FLUCTUATIONS IN THE INTERNATIONAL MARKETS FOR THESE ITEMS VERY MUCH AFFECTS PAKISTAN'S EXPORT INCOME. OVER THE LAST YEAR AND HALF, THERE HAS BEEN A SLUMP IN THESE EXPORT ITEMS, AND PAKISTAN'S TERMS OF TRADE DETERIORATED BY ABOUT TWENTY PERCENT."

"C. PAKISTAN'S EXPORT MARKETS ARE TO A SIGNIFICANT DEGREE DIFFERENT FROM THE MARKETS FROM WHICH IT OBTAINS ITS IMPORTS. OVER HALF OF THE COUNTRY'S EXPORTS GO TO ASIAN AND MIDDLE EAST MARKETS (NOTABLY COTTON YARN AND RICE) WHILE A BARE SEVEN PERCENT GOES TO NORTH AMERICA. BY CONTRAST, THIRTY PERCENT OF THE COUNTRY'S IMPORTS COME FROM NORTH AMERICA, WITH THE U.S. AS THE COUNTRY'S SINGLE LEADING SOURCE OF IMPORTS (ABOUT FORTY PERCENT OF U.S. IMPORTS ARE AID FINANCED). WESTERN EUROPE COMMANDS ABOUT A TWENTY-FIVE PERCENT SHARE OF BOTH EXPORTS AND IMPORTS. TRADE WITH SOCIALIST COUNTRIES NORMALLY REPRESENTS LESS THAN TEN PERCENT OF EITHER EXPORTS OR IMPORTS, AND UNDER PRESSURE FROM THE IMF, PAKISTAN HAS BEEN LIMITED OFFICIAL USE

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TRYING TO REDUCE ITS BARTER TRADE."

"D. THE COUNTRY'S POVERTY AND THE FLUCTUATIONS IN WORLD PRICES FOR ITS COMMODITY EXPORTS VERY MUCH AFFECT ITS ATTITUDE TOWARD THE DEVELOPED WORLD AND MAKE IT ONE OF THE COUNTRIES URGING REFORM OF THE INTERNATIONAL ECONOMIC SYSTEM. AT THE JULY 1975 ECOSOC MEETING, THE LEADER OF THE PAKISTANI DELE-

GATION, FINANCE SECRETARY-GENERAL A. G. N. KAZI, SAID THAT "IT IS NOT FEASIBLE FOR THE DEVELOPING COUNTRIES TO BUILD SELF-RELIANT ECONOMIES WITHOUT BASIC CHANGES IN TRADING RELATIONSHIPS BETWEEN THE DEVELOPED AND DEVELOPING COUNTRIES". HE URGED FOUR ACTIONS: (1) INTERNATIONAL COMMODITY AGREEMENTS; (2) STABILIZATION OF EXPORT EARNINGS OF DEVELOPING COUNTRIES; (3) ENLARGING THE CENTRALIZED SYSTEM OF TRADE PREFERENCES (GSL); ESPECIALLY TO INCLUDE TEXTILES; AND (4) A PHASED REMOVAL OF ALL TRADE BARRIERS NOT INCLUDED IN THE GSP AFFECTING THE EXPORTS OF DEVELOPING COUNTRIES."

"E. THE PAKISTANI ECONOMY IS A MILDLY SOCIALIST ONE, WITH MOST LARGE INDUSTRY (EXCEPTING SPINNING AND TEXTILE MILLS) RESERVED FOR THE PUBLIC SECTOR. IN FOREIGN TRADE, THE EXPORT OF COTTON AND RICE IS LIMITED TO PUBLIC CORPORATIONS, WHILE THE IMPORT OF CERTAIN COMMODITIES, SUCH AS WHEAT AND GOODS DESTINED FOR STATE OWNED INDUSTRIES, ARE CHANNELED THROUGH PUBLIC CORPORATIONS."

"F. POLITICALLY, PAKISTAN IS A QUASI-AUTHORITARIAN STATE WITH A DEMOCRATIC FRAMEWORK, LED BY ONE VERY POWERFUL FIGURE, PRIME MINISTER ZULFIKAR ALI BHUTTO. IT SEEKS FRIENDSHIP WITH ALL NATIONS, PARTICULARLY SO WITH THE UNITED STATES, IRAN, THE ARAB COUNTRIES, AND THE PEOPLES REPUBLIC OF CHINA, FOR SECURITY AND ECONOMIC REASONS. SINCE IT IS A CENTO MEMBER, OTHER THIRD WORLD COUNTRIES USUALLY DO NOT CLASSIFY PAKISTAN AS A NON-ALIGNED COUNTRY. ON THIRD WORLD ISSUES, PAKISTAN LOOKS UPON ITSELF AS A MODERATE, BUT IN THIRD WORLD FORUMS THIS STANCE HAS NOT BEEN LIMITED OFFICIAL USE

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VIGOROUSLY DEFENDED AND PAKISTAN HAS USUALLY ENDED UP ENDORSING MORE RADICAL POSITIONS THAN IT ALLEGEDLY SUPPORTS."

2. THE OTHER REQUESTED SECTIONS WILL BE SENT AS SEPARATE MESSAGES, AS THE OTHER THREE PARTS. BYROADE

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